For Immediate Release

EVERY NATION SUFFERS ENORMOUS ECONOMIC LOSSES BY IGNORING THE TRUE COSTS OF HIV/AIDS: TD ECONOMICS

TORONTO, Ontario – Humanitarian reasons should be rationale alone for a stronger worldwide response to the HIV/AIDS crisis. However support may be under-funded if there is not a proper accounting of its economic impact according to a report released by TD Economics in advance of the XVI International AIDS Conference to be held in Toronto.

While assessments of the economic costs exist, the authors argue most are incomplete because they do not take full account of factors including the loss of labour, human capital and transfer of knowledge from one generation to the next. These and other factors destroy the economic, social and political fabric of nations. There is also an enormous strain on government revenues, which shrink as economies decline and a diversion of funding away from education, other health issues and economic development.

A more accurate assessment demands a broader and longer-term perspective on the impact of HIV/AIDS. In doing so, TD Economics underscores the clear case for attention and action.

“Richer nations will become poorer if poorer nations don’t become richer. That’s because the potential collapse of national economies deprives the world of future markets,” said Don Drummond, Senior Vice President and Chief Economist of TD Bank Financial Group. “Moreover the developed world incurs costs from failed states through the rise in dissension, terror, refugees, and growing economic dependence of the developing world on developed economies.”

Mr. Drummond went on to say: “A degree of complacency has settled in much of the developed world, though HIV/AIDS has reached catastrophic levels in marginalized segments of our society and in the international community. However, the problem is generally understated and gives poor guidance on the amount of assistance that should be provided. As we say in the report, the developed world can pay now or pay a lot more later.”

The report includes a framework to examine how AIDS may change the structural and economic well-being of the most affected nations, and outlines seven key elements of an international action plan to minimize the economic costs of AIDS and human suffering.

Perception lags reality

TD Economics states a degree of complacency has settled in much of the developed world over HIV/AIDS. In North America, for instance, education has helped to slow the rate of infection and treatment has extended lives of those afflicted. As such, the sense of urgency to combat AIDS has waned since the 1990s.

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Analysis shows that the number of people living with HIV in G-7 countries has increased every year since 1981. Among OECD nations, almost 2.2 million people are now living with HIV, with 60,000 infected in Canada. Significantly, females now account for more than one in four new infections. (Globally, new infections among women are growing faster than among men. For many of these women, the largest risk factor for infection is actually being in a monogamous relationship.) Aboriginal people in Canada account for six to 12 percent of new HIV infections in spite of comprising only three percent of the population.

These findings provide clues to the real factors driving the AIDS epidemic in developed nations according to the report. AIDS is a disease of the poor, the marginalized and the helpless – contrary to the view that it largely affects only those in the homosexual community or that participate in high risk activities, such as IV drug users.

The same factors are responsible for the disease reaching catastrophic levels in the developing world, where a vast majority of the 42 million people afflicted live. Of these, two-thirds live in Sub-Saharan Africa. Children born today in this region are not expected to reach their 40th birthday. The spread of AIDS has also continued unabated across borders and into previously unaffected marginalized communities. The fastest growth in new infections, for instance, has been seen in Eastern Europe and Central Asia.

Assessing the impact of HIV/AIDS

A broader and longer-term perspective is required to conduct a full assessment on the impact of HIV/AIDS among the most affected nations. The TD Economics report offers a framework, which takes into account the following factors:

**Labour Force Losses**

The most direct impact of AIDS on the economy is the losses seen in the labour force. Those in the early stages of HIV may miss work occasionally but still remain in their position. As the disease progresses, however, these individuals become too ill to work and must leave the workforce altogether. The labour loss is doubled after accounting for those charged with their care.

**Human Capital Losses**

The losses in the size of the labour force are compounded by the losses in the number of children attending school. While the labour force may be projected to fall by another 10-15 per cent in the next 15 years, there has already been a 20 per cent drop or more in the number of children attending school in many African countries.

**Breakdown in Family Transfers of Knowledge and Values**

AIDS has created more than 15 million orphans, with 80 per cent of these in Sub-Saharan Africa. In losing the teachings and role models of one or both of their parents, these children can no longer benefit from the primary mechanism society uses for passing on knowledge.
The Costs of Caring for the Ill

The direct financial losses of treating AIDS are substantial. In Uganda, for instance, two-thirds of those affected by AIDS must sell property in order to pay for medical care.

Government Finances

Developing nations have limited abilities to pay for increased social spending through increased taxes. To combat HIV/AIDS, governments must divert spending from programs that provide for long-term economic well-being.

An international action plan

The TD Economic report goes on to highlight seven key elements of an action plan designed to minimize the economic costs of AIDS and human suffering.

One: Increased financing and distribution of antiretroviral drugs for the developing world.

These life-extending drugs can minimize the economic losses from AIDS. Further funding and support is needed for the continued research and provision of treatments suitable for poorer nations.

There is an intuitive appeal to call on governments to relax drug patent laws and allow generic drugs to flourish. However such laws increase incentives to conduct research for effective drug treatment in developing nations, where unique challenges abound. For instance, patients must comply with the daily regimen of drugs. Otherwise, with the rapid mutation of the HIV virus, there is a risk that a drug-resistant strain of HIV could develop in individuals. This is one reason why the medical community has limited the distribution of some treatments to the developing world. Those affected in developing nations are deemed to be at high risk of not properly following through with the strict medical treatment and fueling faster mutation. Innovations have simplified the drug therapy, yet more research is required to address this challenge.

Two: Do not forget the marginalized in wealthy nations.

The transmission of HIV in the developed world is secondary to the driving factors of poverty and marginalization. Additional support for research, treatment, and education that accounts for the unique obstacles faced by those most vulnerable would lead to the largest reduction in HIV infection and direct economic costs for those living in these nations.

Three: A reassessment of the future costs to developed countries.

The bill for these costs is likely to fall on industrialized nations. Rather than seeing this as humanitarian aid, governments should see it as a necessary investment in the future economic well-being and security of the industrialized world.
Four: Further partnerships and coordination between stakeholders

AIDS is too large a problem to leave to any one sector. The broader the community actively engaged against AIDS, the less market failures will hinder delivering results.

Five: A reassessment of national priorities in the developing world.

Only prevention can ensure individuals live a long, productive life. This prevention will not occur when the overwhelming share of people in the developing world still do not understand or even know of the existence of AIDS. Education is critical.

Six: Addressing security in the developing world.

The developing world could match the amount of international funding for AIDS if security concerns of those countries most affected by AIDS were addressed, thereby shifting military expenditures to AIDS expenditures.

Seven: Leadership from the bottom up.

The perception of corruption in developing countries has limited international assistance. The realities of corruption have compromised the fight against AIDS. Developing countries must ensure progress is not hindered before it even starts.

Don Drummond will be a panelist for an XVI International AIDS Conference affiliated event on the Impact of HIV/AIDS on Emerging Economies at MaRS Centre on August 14th at 8:00 p.m.

TD Bank Financial Group is a member of the Global Business Coalition on HIV/AIDS, an international organization representing 200 businesses dedicated to combating the AIDS epidemic. It is also a supporter and the official Bank of the XVI International AIDS Conference. This report is intended to help promote dialogue, identify issues and promote action planning to address this very serious global issue.

The TD Economics report entitled “The Economic Cost of AIDS: A Clear Case For Action” can be found at www.td.com/economics.

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